

Message Text

PAGE 01 NATO 05669 142141Z

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ACTION EUR-12

INFO OCT-01 ISO-00 FEA-01 SP-02 AID-05 EB-04 NSC-05 RSC-01

CIEP-01 TRSE-00 SS-20 STR-01 OMB-01 CEA-01 CIAE-00

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INFO USCINCEUR

AMEMBASSY BRUSSELS

AMEMBASSY BONN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY OTTAWA

USNMR SHAPE

C O N F I D E N T I A L USNATO 5669

E.O. 11652: GDS: 12-31-80

TAGS: NATO, XG, ETRN

SUBJ: CENTRAL EUROPE PIPELINE SYSTEM (CEPS) COST SHARING; EIGHT
NATION PERMREP MEETING, 14 OCT 74

REF: A. USNATO 5301; B. USNATO 5514

BEGIN SUMMARY: UNDER CHAIRMANSHIP AMBASSADOR DE STAERCKE (BELGIUM)
CEPPC PERMREPS HELD 20 MINUTE MEETING IN HOPE THAT FRG
AND FRANCE COULD JOIN MAJORITY IN AGREEMENT OF CEOA COST-
SHARING FORMULA. WHILE FRG COULD AGREE UNDER CERTAIN CONDITIONS
TO CEOA FORMULA, FRANCE HAD STILL NOT BEEN ABLE TO IDENTIFY
RATIONALE TO SUPPORT A FRENCH CONTRIBUTION AS HIGH AS 24 PERCENT.
PERMREPS AGREED TO MEET AGAIN ON 21 OCT AFTER DISTRIBUTION OF NEW
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PAGE 02 NATO 05669 142141Z

FRENCH DOCUMENT OUTLINING PROBLEMS PERCEIVED. END SUMMARY.

1. AS AGREED AT SEPTEMBER 27 MEETING (REF A) PERMREPS OF
CENTRAL EUROPE PIPELINE SYSTEM NATIONS MET ON 14 OCT IN HOPE OF

ACHIEVING CONSENSUS ON CEOA COST-SHARING FORMULA ALLOCATING 24 PERCENT SHARES TO US, FRG AND FRANCE. KRAPF (FRG) OPENED MEETING BY STATING THAT FRG CONTINUED TO BELIEVE THAT ITS SHARE SHOULD NOT BE HIGHER THAN 22 PERCENT. IT COULD, HOWEVER, AGREE TO THE CEOA FORMULA IF THAT WOULD RESOLVE THE CURRENT IMPASSE. IN RETURN, HOWEVER, FRG WOULD EXPECT CEPPC TO APPROVE ITS OPERATIONAL REQUIREMENTS IN THE CEPS BUDGETS WITHOUT FURTHER DISCUSSION AS TO THEIR ELIGIBILITY. DE STAERCKE (BELGIUM) AND HARTOGH (NETHERLANDS) QUESTIONED THE PURPOSE OF THE FRG CONDITION WHICH APPEARED TO REQUIRE BLIND ACCEPTANCE BY THE CEPPC BUDGET WORKING GROUP OF ANY EXPENDITURES WHICH HOST NATIONS WISHED TO SUBMIT. KRAPF SUGGESTED THIS WAS A QUESTION FOR THE EXPERTS AND DENIED ANY ULTERIOR MOTIVES OF SUBVERTING THE CEPPC BUDGET CONTROL ACTIVITIES.

2. DE ROSE (FRANCE) SAID THAT HE HAD RECEIVED ON THE MORNING OF THE MEETING A WORKING PAPER FROM HIS AUTHORITIES. ESSENTIALLY, THE PEPER COMMENTED ON PERMREPS DISCUSSION AT THE PREVIOUS MEETING (REF A). HIS AUTHORITIES DISPUTED COMMENTS OF OTHER PERMREPS THAT THE DEFICIT AROSE IN PART FROM CIVIL MOVEMENTS AND THAT ONE COUNTRY - HIS - WAS THE PRINCIPAL BENEFICIARY. ON CONTRARY, FRENCH AUTHORITIES HOLD THAT CIVIL MOVEMENTS IN FRANCE HAD BEEN THE PRINCIPAL METHOD BY WHICH THE TOTAL CEPS DEFICITS WERE REDUCED IN RECENT YEARS. THIS REDUCTION BENEFITED ALL OF THE CEPS NATIONS. DE ROSE HAD NOT HAD TIME TO ANALYZE "WORKING PAPER" BUT AGREED TO DISTRIBUTE A SUMMARY TO DELEGATIONS FRANCE, HE SAID, CONTINUED TO DOUBT THE WISDOM OF A NEW COST-SHARING FORMULA WHICH WAS NOT PRINCIPALLY BASED ON WARTIME USE OF THE SYSTEM. THE CEOA FORMULA WAS ADMITTEDLY AN AD HOC SOLUTION TO A CURRENT POLITICAL PROBLEM AND HIS AUTHORITIES CONSIDERED THE PROPOSAL UNWISE BECAUSE IT WAS NOT BASED ON FACTS WHICH LEND THEMSELVES TO THE MATHEMATICAL DERIVATION OF A LOGICAL COST-SHARING FORMULA. WITHOUT SUCH LOGIC HE FEARED THAT THE CEPPC PERMREPS WOULD BE REQUIRED TO MEET AT FREQUENT INTERVALS WHENEVER ANY NATION HAD A POLITICAL PROBLEM OVER ITS SHARE IN THE CEPS DEFICIT.

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PAGE 03 NATO 05669 142141Z

3. DE STAERCKE SUGGESTED THAT PERMREPS MEET AGAIN ON 21 OCT AFTER STUDY OF THE DOCUMENT DE ROSE WAS TO CIRCULATE IN ANOTHER ATTEMPT TO ACHIEVE A CONSENSUS. HE SUGGESTED THAT THE FRENCH REQUIREMENT FOR A FORMULA CALCULATED FROM FACTS AND FIGURES COULD BE MET BY EARLY PUBLICATION OF THE FACTS RESULTING FROM THE CEPPC BUDGET WORKING GROUP MEETING OF 1-3 OCT, SHOWING THAT HOST COUNTRY TAXATION CAUSED A LARGE PERCENTAGE OF THE DEFICIT, PRINCIPALLY IN FRANCE. HE PROMISED THAT BELGIUM'S CEPPC MEMBER WOULD BE DISTRIBUTING THE FIGURES DEVELOPED IN THAT MEETING (REPORTED REF B).

4. MENZIES (CANADA) SUGGESTED THAT IF THEY FAILED TO REACH A CONSENSUS AT THE 21 OCT MEETING, PERMREPS SHOULD CONSIDER THE FIN-

ANCIAL STRAITS OF THE CEPS. HE UNDERSTOOD THAT CEOA COULD NO
LONGER PREFINANCE THE OPERATION OF NATIONAL DIVISIONS AFTER
1 NOV UNLESS ADEQUATE FINANCIAL ARRANGEMENTS WERE MADE.
DE STAERCKE AGREED.RUMSFELD

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<< END OF DOCUMENT >>

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